

COMPUTATION OF PROPERTY COST REIMBURSEMENT

Every provider will receive at least two dollars per patient day as a reimbursement for property cost. Qualifying providers may receive in addition to this base rate amount, a Property Cost Differential. This differential will be computed by using the following methodology:

1. A provider's Weighted Current Property Cost and Weighted Historical Property Cost will be added together to arrive at Total Property Cost.
2. Two dollars will be subtracted from the provider's Total Property Cost. This two dollars will become part of the provider's base rate. A provider's base rate will include two dollars for property even if the provider's Total Property Cost is less than two dollars.
3. If a provider's Total Property Cost is more than two dollars, the amount of Total Property Cost remaining after subtracting two dollars as described in step 2 above will become the provider's Property Cost Differential. Providers whose Total Property Cost is two dollars or less will not receive a Property Cost Differential as part of their reimbursement.

Definitions

- Weighted Current Property Cost--Weighted Current Property Cost is 85 percent of a provider's Current Property Cost Per Diem.
- Current Property Cost Per Diem--Current Property Cost Per Diem is computed by dividing a provider's Current Property Cost by 90 percent of the maximum possible patient days allowable in the cost report from which the provider's March 27, 1981 reimbursement rate was computed.
- Current Property Cost--Current Property Cost is the amount of allowable property cost determined by the Department of Health, Division of Health Care Financing and used in computing a provider's March 27, 1981 reimbursement rate.
- Weighted Historical Property Cost--Weighted Historical Property Cost is 15 percent of a provider's Historical Cost Per Diem.
- Historical Cost Per Diem--Historical Cost Per Diem is a provider's Historical Cost Reimbursement divided by 90 percent of the maximum possible patient days allowable in the cost report from which the provider's March 27, 1981 reimbursement rate was computed.
- Historical Cost Reimbursement--Historical Cost Reimbursement is a provider's pro-rata share of Aggregate Current Property Cost based on the provider's Historical Property Cost Percentage.

T.N. # 88-28
Supersedes 85-21 Approval Date 4/26/89 Effective Date 1/1/89
T.N. # _____

- Aggregate Current Property Cost--Aggregate Current Property Cost is the total of all provider's Current Property Cost.
- Historical Property Cost Percentage--Historical Property Cost Percentage is the percentage that each provider's Historical Property Cost bears to the total of all provider's Historical Property Cost.
- Historical Property Cost--Historical Property Cost is the provider's hypothetical total historical property cost computed by discounting Average Current Replacement Cost back to the year when a provider's beds were first licensed by the State. Historical Property Cost will be aggregated for each provider by accumulating the average annual depreciation and mortgage interest cost for each bed using the appropriate discounted replacement cost and mortgage rates for the year in which each bed was first licensed. Depreciation and interest cost will be computed assuming a 30-year useful life and with reference to construction cost inflators provided by the Utah State Building Board and average commercial mortgage rates for new homes, published by the U.S. Department of Commerce.
- Average Current Replace Cost--Average Current Replacement Cost is the average replacement cost per bed for long-term care providers whose facilities have been appraised by the Utah State Tax Commission and whose appraisal was on file with the Department of Health, Division of Health Care Financing on April 1, 1981. The average cost per bed is computed by adding together all appraised building replacement costs. These costs will then be divided by the number of beds licensed by the State in the appraised facilities at the time each appraisal was completed.

T.N. # 88-28
Supersedes 85-21 Approval Date 4/26/89 Effective Date 1/1/89
T.N. # 85-21